

Message Text

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INFO OCT-01 EA-09 ISO-00 EB-07 AGR-10 TRSE-00 OMB-01

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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 713

UNCLAS SECTION 1 OF 2 RANGOON 3554

E.O. 11652: N/A

TAGS: BAGP, BM

SUBJECT: AGRIBUSINESS OPPORTUNITY REPORT

REF: (A) STATE A-7008 (B) RANGOON --109 (C) RANGOON A-097

SUMMARY

THIS INITIAL AGRIBUSINESS REPORT PROVIDES BACKGROUND INFORMATION ON SUBJECT IN BURMA; IDENTIFIES GUB CORPORATIONS AND AGENCIES MOST DIRECTLY INVOLVED IN AGRIBUSINESS; REPORTS ON FIRST AND SECOND STAGE AGRIBUSINESS PROJECTS IN BURMA; AND REQUESTS CLARIFICATION OF CERTAIN ASPECTS OF THE PROGRAM. END SUMMARY.

1. BACKGROUND COMMENTS. AGRIBUSINESS PROGRAM WELL SUITED TO BURMA'S MARKET NEEDS AS LARGE SHARE OF DEVELOPMENT LOANS TO BURMA FROM INTERNATIONAL FINANCIAL INSTITUTIONS DIRECTLY TOWARD THIS TYPE INDUSTRY, AND U.S. SUPPLIERS IN GOOD COMPETITIVE POSITION TO OBTAIN CONTRACTS THAT WILL RESULT FROM THE FINANCING. HOWEVER, THERE IS NO OPPORTUNITY FOR U.S. INVESTMENT IN LOCAL AGRIBUSINESS AS PRESENT GUB POLICY PROHIBITS NEARLY ALL FORMS OF PRIVATE FOREIGN INVESTMENT IN BURMA'S ECONOMY. MANAGEMENT AND TECHNICAL ASSISTANCE ON PRIVATE BASIS WOULD ALSO BE PROHIBITED UNDER PRESENT POLICY.

2. BURMA'S DEVELOPMENT PLAN PLACES HIGHEST PRIORITY ON AGRICULTURAL SECTOR AS IT STATES THESE PRODUCTS SEEM TO OFFER BEST HOPE FOR FOREIGN EXCHANGE EARNINGS IN IMMEDIATE FUTURE. IN PRACTICE, UNCLASSIFIED

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HOWEVER AGRICULTURAL POLICY NOT CLEAR-CUT AS GUB STRIVING FOR

SELF-SUFFICIENCY IN MANY AGRICULTURAL PRODUCTS AT EXPENSE OF PRODUCING EXPORTABLE SURPLUS IN OTHER SECTORS. WE FORESEE NO SIGNIFICANT CHANGES IN GUB EXPORT OR IMPORT POLICIES AS RESULT OF PRESENT AGRIBUSINESS PROJECTS. BURMA'S IMPORT POLICIES DETERMINED ALMOST SOLELY BY AVAILABILITY OF FOREIGN EXCHANGE WITHOUT CONSIDERATION TO PRIORITIES FOR AGRICULTURAL DEVELOPMENT, BUT AS NOTED ABOVE, MULTILATZBVL FINANCING DOES EMPHASIZE AGRICULTURAL SECTOR - AND THIS SOURCE PROVIDES MOST OF THE FUNDS FOR LARGE PROJECTS REQUIRING FOREIGN EXCHANGE. MAJOR COMPETITOR IN SUPPLYING EQUIPMENT TO BURMESE AGRIBUSINESS SECTOR, AS IT IS FOR NEARLY EVERY OTHER SECTOR OF THE ECONOMY, IS JAPAN. AS ALL FOREIGN LOANS FOR AGRIBUSINESS PROJECTS (OR ANY OTHER PROJECTS) IN BURMA WILL BE MADE TO GOVERNMENT AGENCIES OR GOVERNMENT-CONTROLLED CORPORATIONS, GUB IS PREPARED TO PROVIDE REPAYMENT GUARANTEE FOR ANY EMOH LOAN NEGOTIATED.

3. FOLLOWING GUB AGENCIES AND CORPORATIONS MOST DIRECTLY ENGAGED IN AGRIBUSINESS PROJECTS:

A. TRADE CORPORATION NO. 1 (AGRICULTURAL PRODUCTS)
70 PHAYRE STREET - RANGOON

B. TRADE CORPORATION NO. 3 (ANIMALS AND ANIMAL PRODUCTS)
77 SUEL PAGODA ROAD - RANGOON

C. AGRICULTURAL CORPORATION
74 SHWEDAGON PAGODA ROAD - RANGOON

D. IRRIGATION DEPARTMENT
9/21 STRAND ROAD - RANGOON

E. AGRICULTURE MECHANIZATION DEPARTMENT
459 PROME ROAD - RANGOON

F. AGRICULTURAL RESEARCH INSTITUTE
GYOGON - RANGOON

G. ANIMAL HUSBANDRY CORPORATION
C/O MINISTRY OF AGRICULTURE AND FORESTS - RANGOON

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H. PETRO-CHEMICAL INDUSTRIES PRODUCTS CORPORATION
57 LEWIS STREET - RANGOON

4. POTENTIAL AGRIBUSINESS PROJECTS (FIRST STAGE)

A. UREA FERTILIZER PLANT AT ABOUT 1,000 TONS CAPACITY. FEASIBILITY REPORT ON CONSTRUCTION OF SUCH A FACILITY IS TO BE DRAWN UP WITH HELP OF THE WORLD BANK DURING CURRENT BURMESE FISCAL YEAR WHICH

ENDS MARCH 31. (SEE REF. C)

B. LAND RECLAMATION PROJECT IN IRRAWADDY DELTA AREA. IBRD APPRAISAL COMPLETED AND LAON AWAITING WORLD BANK APPROVAL. (SEE REF. C)

C. LIVESTOCK, DAIRY AND PASTURE DEVELOPMENT PROJECT. THIS WILL INCLUDE SUPPLY OF BREEDING STOCK, DAIRY PROCESSING FACILITIES AND ARTIFICIAL INSEMINATION PROGRAMS. IDA CONSIDERING \$7.5 MILLION LOAN FOR PROJECT.

D. AERIAL CROP SPRAYING PROJECT. GUB CONSIDERING PURCHASE OF PLANES AND EQUIPMENT FOR AERIAL CROP SPRAYING. IT HAS NOT YET DISCUSSED FUNDING OF PROJECT.

E. YENWE-PYUNTAZA PROJECT. PROPOSED PROGRAM IN SITTANG RIVER VALLEY WHICH COULD DEVELOP INTO MULTIPURPOSE DAM PROJECT FOR IRRIGATION, DRAINAGE, ELECTRICITY AND FLOOD CONTROL. FEASIBILITY STUDY BEING CARRIED OUT WITH UNDP ASSISTANCE.

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5. AGRIBUSINESS OPPORTUNITIES (SECOND STAGE)

A. NYAUNGGYAT MULTIPURPOSE DAM PROJECT (SEE REF. B)

B. SEDAWGYI MULTIPURPOSE DAM PROJECT (SEE REF. B).

C. RICE PROCESSING INDUSTRIES PROJECT (SEE REF. B).

D. JUTE MILL. PROJECT INCLUDES CONSTRUCTION OF JUTE MILL WITH AN

INSTALLED PRODUCTION CAPACITY OF 15 MILLION JUTE BAGS, 5 MILLION YARDS OF HESSIAN CLOTH AND 500,000 LBS. OF TWINE. PROJECT WOULD ALLEVIATE LOSS AND WASTAGE OF RICE AND OTHER CROPS, NOW ESTIMATED AT A FEW HUNDRED THOUSAND TONS A YEAR, DUE TO POOR PACKING IN OVER-USED JUTE BAGS. MILL TO BE CONSTRUCTED IN MYAUNGMYA TOWNSHIP IN DELTA AREA OF IRRAWADDY DIVISION. TOTAL COST ESTIMATED AT \$43.3 MILLION INCLUDING \$25.3 MILLION IN FOREIGN EXCHANGE. ASIAN DEVELOPMENT BANK APPROVED LOAN FOR FOREIGN EXCHANGE PORTION OF COSTS IN NOVEMBER, 1975. EXECUTING AGENCY IS TEXTILES INDUSTRIES CORPORATION.

6. ADDITIONAL COMMENTS. FROM DEFINITION OF AGRIBUSINESS PROJECT IT APPEARS THAT NON-FOOD RELATED AGRIBUSINESS IS EXCLUDED, BUT IT IS NOT CLEAR WHETHER FISH AND MARINE PRODUCTS FALL WITHIN SCOPE OF THE PROGRAM. EMBASSY NOTES THAT LARGE SHARE OF PROJECTS IN BURMA REPORTED UNDER MAJOR EXPORT PROJECTS PROGRAM ARE AGRIBUSINESS AND LARGEST SHARE OF THESE PROJECTS ARE FUNDED BY IBRD OR ADB AND REPORTED UNDER EARLY WARNING PROGRAM. THUS, WE WOULD NOW BE REPORTING ON MANY SAME PROJECTS UNDER THREE DIFFERENT UNCLASSIFIED

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PROGRAMS. IF PROJECT REPORTED UNDER EARLY WARNING OR MAJOR EXPORTS PROJECTS PROGRAMS, IS IT ADVISABLE TO REPEAT IT UNDER AGRIBUSINESS OPPORTUNITY REPORTING?
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